CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 4, 1999

S. 720
Serbia Democratization Act of 1999

As ordered reported by the Senate Committee on Foreign Relations on July 28, 1999

S. 720 would impose numerous sanctions against the current governments of Serbia and Yugoslavia and would call upon the President to isolate Yugoslavia in international organizations. The bill would authorize the appropriation of $100 million over fiscal years 2000 and 2001 to promote the growth of civil society and democratic institutions. It would also authorize assistance to individuals displaced by the conflict in Kosovo and to a transitional government in Yugoslavia.

CBO estimates that the budgetary impact of the bill would be limited to the explicit authorization of $100 million because the bill would not substantially expand the Administration's current authority to provide other assistance to individuals and a transitional government. In the two years prior to March 1999, the Administration provided $16 million in grants to individuals and nongovernmental organizations in Yugoslavia. Since then, the Yugoslav government has prevented those programs from being restarted in areas under its control. Assuming appropriation of the authorized amount, it is unlikely that all of the $100 million would be spent unless there is a change in the Yugoslav government. CBO estimates that spending over the 2000-2004 period would be about $20 million under the current Yugoslav regime. Because other authorizations in the bill would overlap with provisions in current law, they would have little or no budgetary impact. S. 720 would not affect direct spending or receipts; thus pay-as-you-go procedures would not apply.

S. 720 contains private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) but CBO estimates that the direct costs of mandates in the bill would be well below the statutory threshold established in UMRA ($100 million in 1996, adjusted annually for inflation). The bill would impose private-sector mandates by prohibiting certain transactions with any person, entity, or funds associated with the governments of Serbia and Yugoslavia. Specifically, S. 720 would prohibit payments or transfers of anything of economic value by any person in the United States to the governments of Serbia and Yugoslavia. Further, the bill would prohibit any transaction within the United States or by a U.S. individual, firm, partnership or other organization relating to any vessel in which a majority interest is held by a Serbian person or entity. The bill would also prohibit funds that are blocked under current law from being used to pay for maintenance and administrative expenses for assets associated with the governments of Serbia and Yugoslavia. According to information provided by the Department of Treasury, all prohibitions in the bill are part of the current policy of the department. Although the bill allows for less Presidential discretion in applying prohibitions, the bill would largely codify current policy and thus would have little impact on the private sector.

To the extent that state, local, or tribal governments engage in the proscribed transactions, such prohibitions would be intergovernmental mandates as defined by UMRA. CBO has found no evidence that these governments are involved in such transactions; thus, the mandate would have no significant effect on the budgets of state, local, or tribal governments.

The estimate of the federal costs was prepared by Joseph C. Whitehill; the estimate of the impact on state, local, and tribal governments was prepared by Leo Lex; and the impact on the private sector was prepared by Keith Mattrick. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.